



AR35

C. A. Pitts Engineering Construction Limited

1973  
ANNUAL  
REPORT



*Welland Canal Diversion  
and Townline Tunnel*



## Cover

### WELLAND CANAL DIVERSION AND TOWNLINE RAIL AND VEHICULAR TUNNEL

This \$39 million project encompassing four separate contracts was commenced in January, 1970. It was the largest project on the Welland Canal diversion scheme and was completed in late summer of 1973.

The 1,000' road and rail tunnel portion pictured in full operation in June of this year, carries vehicular and rail traffic below the new Welland Canal. The project involved the moving of more than 16 million cubic yards of earth and the placing of 80,000 cubic yards of concrete for the tunnel and bridge approaches and the four major highway and railroad bridges.

## The Pitts' Group of Engineering Construction Companies

C. A. Pitts Engineering Construction Limited  
C. A. Pitts General Contractor Limited  
Pitts Quebec Limited  
C. A. Pitts Construction Eastern Limited  
Drake Construction Co. Ltd.  
Harco Construction Limited  
Cliffside Pipelayers Limited  
Princliffe Realty Limited  
McDace Limited  
Huron Pipelines Limited  
Underwater Tel-Eye Ltd.  
Underwater Tel-Eye (Canada) Ltd.

## Business of the Company

Activities of Pitts and its subsidiaries can be divided into two main categories, engineering construction and underground utility work including pipeline construction.

Pitts is Canada's largest publicly-owned contractor engaged in purely civil engineering construction. It specializes in the fields of energy development, multi-lane highway building, subway, bridge, dam, tunnel, dredging and marine construction. Pitts' work area is anywhere in Canada including the far north and Arctic regions.

Through a group of four subsidiaries, the company is engaged in underground conduit and pipeline work mainly for utilities in Ontario and inspection and repair of pipeline systems both in Ontario and Quebec.

Pitts does not design the projects which it builds; it prepares tenders from client-supplied plans and specifications. Costs are based on estimated units of work and material. The client is billed for actual quantities, such as tons of steel used, yards of concrete placed or cubic yards of earth moved.

Pitts has been in business for thirty-two years. Approximately 90% of its work has been for governments at various levels and for governmental agencies.

AR35



*PA*

**C. A. Pitts Engineering Construction Limited**  
Toronto, Ontario

**DIVIDEND NO. 8**

**SHAREHOLDERS REPORT**

*CanCorp*

*file*

**PITTS ENGINEERING  
CONSTRUCTION LIMITED**

**INTERIM REPORT TO  
SHAREHOLDERS FOR THE  
SIX MONTHS ENDED  
JUNE 30th, 1973**

To Our Shareholders:

Your Company is pleased to enclose No. 8 Dividend cheque at the rate of 6-1/2c per share for the Third Quarter of 1970.

Our net earnings for the six month period ending June 30th, 1970 increased at a satisfactory pace over the similar period last year. Net income after full depreciation and income tax provision totalled \$1,047,695 or 56c per share compared to \$981,638 or 53c per share for the similar period of 1969. Management's forecast indicates that the same trend will continue for the latter half of 1970.

Work on all projects is progressing satisfactorily and labour contracts on all projects but one have been renegotiated and it is hoped that stable labour conditions will continue for the balance of the year. With the addition of the Lake Erie Dredging contract as reported on May 19, 1970, the major portion of our marine and dredging fleet will be fully employed for the balance of the year.

Your management is proceeding with the negotiation of specific terms and conditions for the purchase by Pitts of all of the outstanding shares of Cliffside Pipelayers Limited which is one of the major utility contractors operating in Metropolitan Toronto and Southern Ontario. It is hoped that finalization of this acquisition will take place within the next 30 days. Cliffside is well managed and has established an excellent record in the past of performance and earnings.

Toronto, Ontario.  
August 21, 1970.

S. C. Cooper, P.Eng.  
President

## C. A. Pitts Engineering Construction Limited

### UNAUDITED CONSOLIDATED RESULTS

	Six Months ending June 30	
	1970	1969
Revenue	\$20,836,783	\$17,226,644
Depreciation	586,937	477,616
Provision for Taxes	1,159,100	1,085,400
NET INCOME	1,047,695	981,638
Earnings per Share	56c	53c

### SOURCE AND APPLICATION OF CONSOLIDATED FUNDS

	Six Months ending June 30	
	1970	1969
SOURCE OF FUNDS		
Profit for Period	\$ 1,047,695	\$ 981,638
Provision for Depreciation	586,937	477,616
Increase in issued Share Capital	4,691	40,000
	<u>\$ 1,639,323</u>	<u>\$ 1,499,254</u>

### APPLICATION OF FUNDS

Addition to Property, Plant and Equipment(net)	\$ 180,562	\$ 901,125
Discharge Mortgage	17,589	
Cash Dividends	134,784	106,752
Increase in Working Capital	1,306,388	491,377
	<u>\$ 1,639,323</u>	<u>\$ 1,499,254</u>



AR35

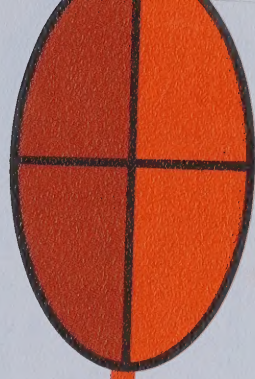


*CanCorp*

*file*

**C. A. PITTS ENGINEERING  
CONSTRUCTION LIMITED**

INTERIM REPORT TO  
SHAREHOLDERS FOR THE  
SIX MONTHS ENDED  
JUNE 30th, 1973





REPORT ON OPERATIONS  
Six Months Ended June 30th, 1973

To Our Shareholders:

Your company is pleased to announce that No. 20 Dividend Cheque at the rate of 5¢ per Class C share and 4.25¢ per Class B share for the third quarter of 1973 will be mailed by National Trust Company, Limited on August 28th, 1973 to shareholders of record as at August 3rd, 1973.

On July 27th Pitts announced its intention to purchase an additional 425,000 Common shares of Standard Paving & Materials, Limited at \$10.00 net per share. If Pitts is successful in its offer which closes on August 31st, 1973, it will then hold approximately 21% of Standard and it is the company's intention to consolidate in its earnings the earnings of the investment in Standard.

Also in July, the company finalized the purchase for cash of Underwater Tel-Eye Limited of Montreal and Underwater Tel-Eye (Canada) Limited of Toronto. These companies are engaged in storm and sanitary sewer inspection and restoration, grouting and waterproofing. By the use of closed circuit television, they are able to assess the necessary repairs and in many instances can revitalize the sewers by reaming, chem-

ical grouting and plastic lining, without the inconvenience and high cost of open excavation. These companies provide a natural extension to the underground utility services provided by Cliffside Pipelayers Limited and McDace Limited, wholly owned subsidiaries of Pitts.

A Toronto property surplus to our operations has been sold. When closed in August, this transaction will provide an extraordinary income before capital gains tax of \$423,800.00.

The \$102 million Long Spruce Generating Station contract awarded to a Pitts managed joint venture in early June is off to a good start with more than 500 employees already on the site.

Toronto, Ontario  
August 2nd, 1973

S.C. Cooper, P. Eng.  
President

C.A. PITTS ENGINEERING CONSTRUCTION LIMITED  
UNAUDITED CONSOLIDATED RESULTS

	1973	1972
Six Months Ended June 30th		
Revenue	\$27,260,196	\$20,072,048
Depreciation	1,080,953	947,351
Provision for Taxes	1,443,708	1,302,284
Net Income	1,533,502	1,347,459
Earnings Per Share	38¢	33¢

C.A. PITTS ENGINEERING CONSTRUCTION LIMITED  
UNAUDITED CONSOLIDATED RESULTS

SOURCE AND APPLICATION  
OF CONSOLIDATED FUNDS

	Six Months Ended June 30th	
	1973	1972
SOURCE OF FUNDS		
Profit for Period	\$ 1,533,502	\$ 1,347,459
Provision for Depreciation	1,080,953	947,351
Increase in Issued Share Capital	39,522	56,910
Proceeds on Disposals of Equipment	254,782	162,297
Decrease in Excess Purchase Price	932	
Decrease in Working Capital	189,013	555,100
Deferred Income Tax		205,580

APPLICATION OF FUNDS

	\$ 2,648,174	\$ 2,631,311
Additions to Property, Plant & Equipment	405,095	233,579
Cash Dividends		
Contingent Payment due on Purchase of Subsidiary	45,435	401,460
Decrease in Mortgage Payable		8,347
	\$ 3,098,704	\$ 3,274,697



AR35



*file*

**C. A. PITTS ENGINEERING  
CONSTRUCTION LIMITED**

INTERIM REPORT TO  
SHAREHOLDERS FOR THE  
SIX MONTHS ENDED  
JUNE 30th, 1974







## REPORT ON OPERATIONS

Six Months Ended June 30th, 1974

To Our Shareholders:

On behalf of your company I am pleased to enclose a cheque in payment of Dividend No. 25 at the rate of 6¢ per Class C share and 5.1¢ per Class B share for the third quarter of 1974.

Net earnings for the six months ended June 30th, 1974 amounted to \$2,086,501, or 51¢ per share, compared with \$1,533,502, or 38¢ per share for the previous year, an increase of 34% on a per share basis. A significant portion of this increase is due to the company's equity in net earnings of Standard Industries Limited. There were no comparable earnings from this source in 1973.

In the first six months of 1974 contract awards totalled \$28,100,000. Major contracts include a \$9.5 million project for the second phase of the Ontario Hydro Arnprior Generating Station, \$6.3 million highway interchange for the Ministry of Transportation and Communications in Ottawa, and a joint venture for the water intake at the Bruce Heavy Water site. Pitt's share of the joint venture is \$3.2 million. The balance of the awards include a highway project in Sudbury, two additional new contracts in the Ottawa area and work acquired in our underground utility division.

Pitts, as a participant in a consortium of Canadian companies, submitted a proposal to Ontario Hydro for the financing and construction of additional heavy water plants at the Bruce nuclear complex. This was the only proposal received by the Ontario Hydro which included both financing and construction of this major facility. A decision is expected within the next month or two.

The General Shareholders' Meeting, held on August 8th, 1974, approved the change in name of your company to "Pitts Engineering Construction Limited." It is anticipated that this change will become effective before the end of the year.

Toronto, Ontario  
July 31, 1974

S. C. Cooper, P. Eng.  
President & Chief Executive Officer

### C.A. PITTS ENGINEERING CONSTRUCTION LIMITED UNAUDITED CONSOLIDATED RESULTS

	Six Months Ended June 30th	
	1974	1973
Revenue	\$26,818,788	\$27,300,190
Depreciation	1,230,311	1,080,953
Provision for Taxes	1,538,171	1,443,708
Net Earnings	2,086,501	1,533,502
Earnings per Share	51¢	38¢

### C.A. PITTS ENGINEERING CONSTRUCTION LIMITED UNAUDITED CONSOLIDATED RESULTS

#### SOURCE AND APPLICATION OF CONSOLIDATED FUNDS

SOURCE OF FUNDS	Six Months Ended June 30th	
	1974	1973
Net earnings for the period	\$2,086,501	\$1,533,502
Provision for Depreciation	1,230,311	1,080,953
Increase in Issued Share Capital	0	39,522
Proceeds of Disposals of Equipment	386,579	254,782
Decrease in Working Capital	0	189,013
Decrease in Excess Purchase Price	0	932
	<u>\$3,703,391</u>	<u>\$3,098,704</u>

#### APPLICATION OF FUNDS

Additions to Property, Plant & Equipment	\$1,960,970	\$2,648,174
Cash Dividends	736,185	405,095
Investment in Associated Company	278,163	0
Contingent Payment due on Purchase of subsidiary-McDace	0	45,435
Increase in Working Capital	728,073	0
	<u>\$3,703,391</u>	<u>\$3,098,704</u>





# C. A. Pitts Engineering Construction Limited

Established 1942

---

## Directors

**WALLACE A. BARRIE**, *P.Eng.*  
**ALLAN L. BEATTIE**, *Q.C.*  
**WILLIAM C. COLE**, *P.Eng.*  
**SYDNEY C. COOPER**, *P.Eng.*  
**JAMES D. JARRELL**, *B.Comm.*  
**DONALD J. McDONALD**, *B.Comm.*  
**IRVING MORTON**

## Officers

**SYDNEY C. COOPER**, *P.Eng.*  
President and Chief Executive Officer  
**WILLIAM C. COLE**, *P.Eng.*  
Senior Vice-President, Operations  
**JAMES D. JARRELL**, *B. Comm.*  
Senior Vice-President, Administration  
**WALLACE A. BARRIE**, *P.Eng.*  
Vice-President  
**HOWARD A. BRADLEY**, *P.Eng.*  
Vice-President and Chief Estimator  
**HARJIT S. DHILLON**, *P.Eng.*  
Vice-President  
**NORMAN A. HARRISON**, *C.G.A.*  
Treasurer and Comptroller  
**YVON FORGET**  
Vice-President, Pitts Quebec Limited  
**IRVING MORTON**  
President, Cliffside Pipelayers Limited  
**WILLIAM McDACE**  
President, McDace Limited  
**JAMES KNOWLES**  
President, Underwater Tel-Eye (Canada) Ltd.

## Registrars and Transfer Agents

**NATIONAL TRUST COMPANY, LIMITED**  
Montreal, Toronto, Winnipeg, Calgary and Vancouver  
**NOVA SCOTIA TRUST COMPANY**  
Halifax, N.S.

## Auditors

**ERNST & ERNST**

## Bankers

**THE ROYAL BANK OF CANADA**  
**THE BANK OF NOVA SCOTIA**  
**BANQUE CANADIENNE NATIONALE**

## General Counsel

**OSLER, HOSKIN & HARCOURT**

## Exchange Listings

**THE TORONTO STOCK EXCHANGE**  
**MONTREAL STOCK EXCHANGE**

## Principal Offices

**PITTS, ONTARIO**  
30 Commercial Road, Toronto  
**PITTS, QUEBEC**  
4480 Cote de Liesse Road, Montreal  
**CLIFFSIDE**  
3660 Midland Avenue, Toronto  
**McDACE**  
611 Clarke Road, London  
**UNDERWATER TEL-EYE**  
27 Golden Gate Court, Toronto

## Annual Meeting

Thursday, April 18, 1974 at 3:30 p.m. in the Library of the Royal York Hotel, Toronto, Ontario.



**Long Spruce Constructors**  
(a joint venture)

Awarded in early 1973 this \$102 million Pitts' sponsored joint venture has been mobilizing men and equipment and preparing the site for construction of the one million kilowatt Long Spruce Generating Station on the Nelson River in northern Manitoba. The owner is Manitoba Hydro.

Setting up a 500 ton per hour crushing plant under extreme winter conditions in order that concrete placing operations may commence early in the spring of 1974.

Early erection stages of a concrete batch plant on the shores of the Nelson River. This plant will produce 750,000 cubic yards of concrete for this project.





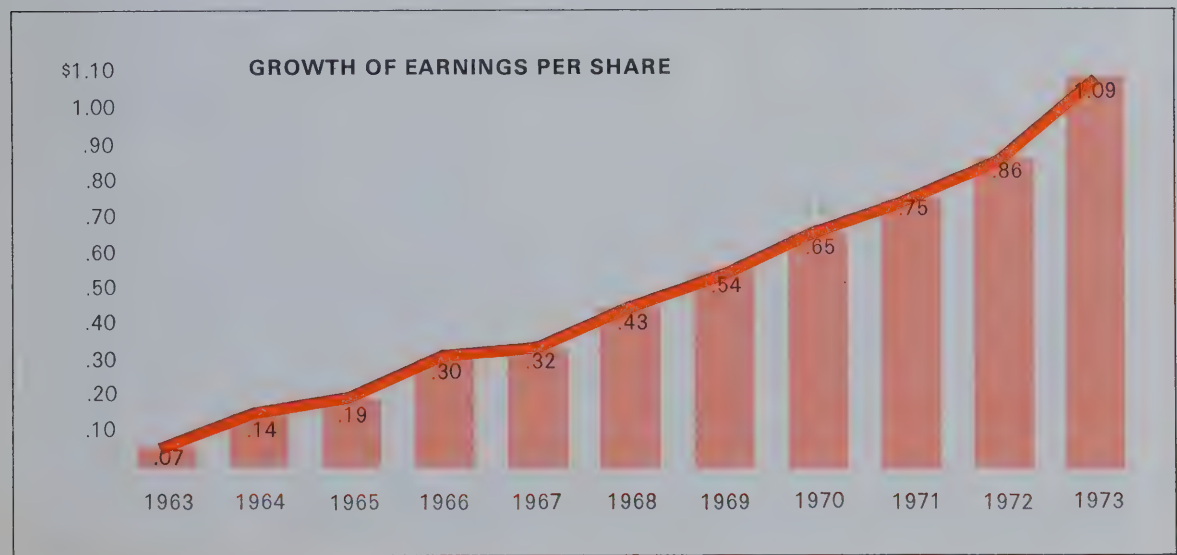
# Financial Highlights

	1973	1972	1971	1970	1969
Revenue	\$65,026,605	\$56,416,182	\$53,294,147	\$49,867,192	\$46,780,814
Depreciation	2,437,497	2,005,694	1,533,170	1,162,683	799,687
Provision for Taxes	4,048,499	3,335,510	3,123,594	2,818,777	2,301,000
Earnings before Extraordinary Items	4,458,014	3,472,064	3,000,558	2,509,513	2,021,831
Earnings per Share *	1.09	.86	.75	.65 **	.54
Extraordinary Items	355,372	295,993		62,252 ***	228,000
Earnings per Share *	.09	.07		.01 ***	.06
Net Earnings	4,813,386	3,768,057	3,000,558	2,447,261	2,249,831
Working Capital	5,788,794	6,632,544	5,798,095	6,444,642	4,166,195
Dividends paid per Share *	.20	.15½	.13	.13	.12½

\*Adjusted for all stock splits  
\*\*Weighted Average  
\*\*\*Reduction of Earnings

## Valuation Day Value

The value of the company's Class B and Class C shares for the purposes of taxable capital gains as established December 22, 1971 is \$7.065 per share.



Pitts' Growth  
1963-1973



## Report to Shareholders

On behalf of the board of directors, I am pleased on the anniversary of our company's thirty-second year in business, to present our 6th annual report since becoming a public company. For the year ended December 31, 1973, the value of work performed was up 15% to a record \$65,026,605, compared with \$56,416,182 in 1972, resulting in record net earnings of \$4,458,014 compared with \$3,472,064 in 1972. Based on 4,091,000 shares outstanding at year-end per share earnings rose to \$1.09 from 86¢ in 1972, an increase of 27%. In addition an extraordinary gain from the sale of real estate added 9¢ to per share earnings for overall total net earnings of \$4,813,386 or \$1.18 per share. This is the tenth consecutive year of rising earnings.

The acquisition in September of an additional 16% of the outstanding common shares of Standard Industries Limited (formerly Standard Paving and Materials, Limited) brought our total holdings of that company to 23%. On an equity accounting basis from September 1, 1973, this acquisition increased our net earnings by \$364,605 or 9¢ per share.

### Year in Review

During 1973 the company's share of new contract awards amounted to more than \$105 million leading to a busy year and providing us with a record year-end backlog of work for 1974.

Major projects completed in 1973 included the large Kettle Rapids joint venture on the Nelson River in northern Manitoba for Manitoba Hydro, the Welland Canal diversion and Townline Tunnel program for The St. Lawrence Seaway Authority, a large deep water port for Rayonier Quebec Inc. at Port Cartier, Quebec, a ferry wharf and dredging on Manitoulin Island, two large highway interchanges for the Ontario Ministry of Transportation and Communications at the intersections of the Q.E.W. and Highway 20 at Niagara Falls and the

Macdonald-Cartier Freeway and Highway 2A on the eastern outskirts of Metropolitan Toronto.

In April 1973, Pitts as sponsor of Long Spruce Constructors joint venture, was awarded a \$102 million contract for construction of the Long Spruce Generating Station, the second phase of the Nelson River power development. A work force of approximately 650 has been mobilizing camps, shops, concrete and aggregate plants, site preparation and erecting a large travelling winter house over the foundations of the power-house so that major concreting operations can commence in April of 1974.

On other phases of the Nelson River development, working in joint venture, Pitts has acquired two additional contracts with our share being \$13.5 million. These are the Jenpeg Generating Station forming part of the Lake Winnipeg control system and the diversion of the Churchill River into the Nelson River.

Major current work in progress includes a \$19 million contract for runways and aprons at Montreal New International Airport near Ste. Scholastique, Quebec; four contracts for grade separation, bridges and roadways in the Sudbury area for a total of \$6.4 million and three contracts related to the Arterial Harbour Road in Corner Brook, Newfoundland, with a value of \$8.3 million. In December 1973 Pitts negotiated a \$2.7 million contract with Great Lakes Power Corporation Ltd. for the construction of the Andrews Generating Station north of Sault Ste. Marie, Ontario.

### Acquisitions

Early in 1973 the acquisition of McDace Limited, London, Ontario, an underground utility contractor operating primarily in the Niagara Peninsula and south-western Ontario, was finalized. Later in the year Pitts acquired Underwater Tel-Eye (Canada) Ltd. in Ontario and Underwater Tel-Eye Ltd. in Quebec both of whom

#### *Directors:*

*A. L. Beattie  
S. C. Cooper  
D. J. McDonald*







*Directors: W. C. Cole, J. Morton, J. D. Jarrell, W. A. Barrie*

provide complete inspection, diagnostic and repair services for sanitary and storm sewers and industrial pipeline systems. Using closed-circuit television and other specifically designed equipment, these subsidiaries offer low cost inspection and repair services for leaking and clogged sewers without the inconvenience and high cost of open excavation.

In early September the company purchased half of all shares submitted under its offer to shareholders of Standard Industries Limited. This brought the company's holdings to 700,001 shares or approximately 23% of the outstanding common shares of Standard, a public company and one of the largest material and construction supply businesses in Canada. Strategically based throughout southern Ontario, Standard is engaged in ready mix concrete supplies, concrete block and pipes, precast concrete products, road and concrete aggregate and commercial asphalt mix plants. In Halifax, Nova Scotia, it is active in asphalt paving, road building and building supplies. Total annual sales are in excess of \$60 million. Your directors are optimistic about the future of this company.

### **Land Development**

In December 1973 Pitts acquired a 50% interest in a land assembly joint venture to develop and market 124 acres suitable for single family housing. Located near Waterdown, Ontario, close to Hamilton and Burlington, the development is expected to start late in 1974 or 1975. Although a new type of venture, this acquisition will provide another outlet for the company's expertise in road work, sewer, water and underground utility work.

### **Dividends**

In January 1974 your directors announced a 20% increase in the company's first quarter dividend, raising the indicated annual dividend to 24¢ from 20¢. The directors also declared an extra dividend of 6¢ per Class C share and 5.1¢ per Class B share payable with the first quarter dividend.

### **Year Ahead**

Pitts' backlog, the highest in company history, is largely concentrated in a few jobs in several key areas, leaving the company in a favourable position to seek out other attractive situations. This fact, coupled with industry fore-

casts for a minimum 10% increase in heavy construction spending and with an even greater expansion forecast in the energy sector, forms the background for our optimistic outlook for 1974. A good indication in this respect is the January 1974 award to Pitts of the \$9.5 million contract for the second phase of Ontario Hydro's Arnprior Generating Station. Nevertheless, careful estimating and job control will be essential to counteract labour and material shortages and escalating prices. Opportunities do exist and we have every confidence that your company will meet its forecasted objectives.

### **Personnel**

The board of directors has appointed Wallace A. Barrie, P.Eng., vice-president, as a director of the company to replace J. Corti Boland, Q.C., vice-president and secretary who is retiring. Harjit S. Dhillon, P.Eng., has been appointed a vice-president of the company.

### **Stock Options**

During the year your directors granted stock options to key employees totalling 10,500 Class C shares. These options are similar to those granted previously in that they are exercisable 1/5 each year over a five year period.

### **Acknowledgments**

As we look back over 1973 and indeed the past ten years since the company was repatriated to Canadian ownership, one must acknowledge the outstanding achievements of all of our employees with particular emphasis on the field and key operating staff. Successful financial performance in engineering construction has never been easy, a fact clearly borne out by examining overall industry performance. The difference must lie in the calibre of people employed, their dedication, loyalty, team effort and skill. These qualifications describe the people in your company to whom we wish to express our fullest appreciation.

On behalf of the board.

S. C. Cooper, P.Eng.  
President

February 20, 1974

*Montreal New International Airport  
Ste. Scholastique, Quebec*

*In May 1973 Pitts Quebec was awarded a \$19 million contract by the Department of Transport for the construction of aprons and runways for this large new international airport which also is known as Mirabel Airport. Some of the company's large earth moving equipment is shown below. In 1974 the company will place 280,000 cubic yards of concrete manufactured in a company-owned batch plant erected on the site.*





### *Marine Construction*

*Pitts marine fleet constructing a \$2.8 million wharf for the Ontario Ministry of Transportation and Communications at South Baymouth, Manitoulin Island, Ontario. This contract was commenced in May of 1973 and completed by year-end.*







*Underground Utility and  
Pipeline Operations*



*Cliffside installing underground  
gas services in central Toronto.*



*Underwater Tel-Eye  
revitalizing a trunk sewer by  
pulling a plastic re-liner  
through the old sewer without  
the necessity of open cut  
excavation.*



*McDace laying 20" pipeline for Interprovincial Pipe Line Company  
in the Niagara region.*







**C. A. Pitts Engineering Construction Limited**  
and subsidiaries

## Statement of Consolidated Earnings

	YEAR ENDED DECEMBER 31	
	1973	1972
Contract revenue	\$ 65,026,605	\$ 56,416,182
Contract costs	52,185,477	45,965,558
	12,841,128	10,450,624
Expenses:		
Depreciation of buildings and equipment	2,437,497	2,005,694
Administrative	2,415,606	1,847,476
	4,853,103	3,853,170
	7,988,025	6,597,454
Other earnings:		
Interest and other	153,883	210,120
Equity in net earnings of associate company	364,605	
	518,488	210,120
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	8,506,513	6,807,574
Income taxes — Note 6		
Current	3,215,135	3,657,040
Deferred	833,364	(321,530)
	4,048,499	3,335,510
EARNINGS BEFORE EXTRAORDINARY ITEM	4,458,014	3,472,064
Per share	1.09	.86
Gain on sale of property	355,372	295,993
Per share	.09	.07
NET EARNINGS	\$ 4,813,386	\$ 3,768,057
Per share	1.18	.93

1972 accounts have been reclassified to conform to 1973





**C. A. Pitts Engineering Construction Limited**  
and subsidiaries

---

**Consolidated Balance Sheet**

**Assets**

	DECEMBER 31	
	1973	1972
CURRENT ASSETS		
Cash and term deposits	\$ 4,665,052	\$ 5,841,665
Marketable securities (market, \$8,725) – Note 1	11,134	600,065
Accounts receivable	12,846,891	8,155,218
Advances to officers and employees	81,140	37,101
Investment in joint ventures – Note 3	2,232,424	4,749,893
Unbilled contract costs – Note 5	679,896	128,831
Prepaid income taxes – Note 6		75,193
TOTAL CURRENT ASSETS	20,516,537	19,587,966
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, marine and construction equipment – at cost – Note 4	21,999,016	17,546,983
Less allowances for depreciation	10,667,395	8,243,846
	11,331,621	9,303,137
OTHER ASSETS		
Investment in associate company – Note 1	5,714,944	
Long term mortgages receivable	577,677	
Excess cost of net assets of subsidiaries	365,308	268,838
	6,657,929	268,838
	\$ 38,506,087	\$ 29,159,941

---

1972 accounts have been reclassified to conform to 1973

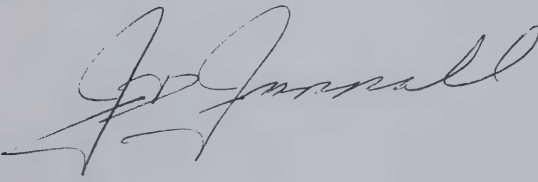


## Liabilities

		DECEMBER 31	
		1973	1972
CURRENT LIABILITIES			
Accounts payable		\$ 6,622,481	\$ 6,981,083
Deferred contract revenue – Note 5		3,493,199	4,553,138
Income taxes – Note 6 – current		954,064	254,202
– deferred relating to contracts		2,957,999	1,166,999
Current portion of long term debt		700,000	
TOTAL CURRENT LIABILITIES		14,727,743	12,955,422
LONG TERM DEBT – less current portion – Note 7		2,800,000	
DEFERRED INCOME TAXES – Note 6		2,898,128	2,064,764
SHAREHOLDERS' EQUITY			
SHARE CAPITAL – Notes 8 and 9			
Class B shares – outstanding 2,009,225		911,744	777,507
Class C shares – outstanding 2,081,775		944,666	826,628
		1,856,410	1,604,135
RETAINED EARNINGS		16,223,806	12,535,620
TOTAL SHAREHOLDERS' EQUITY		18,080,216	14,139,755
		\$ 38,506,087	\$ 29,159,941

Approved on behalf of the Board

  
Director

  
Director



**C. A. Pitts Engineering Construction Limited**  
and subsidiaries

## Statement of Consolidated Retained Earnings

	YEAR ENDED DECEMBER 31	
	1973	1972
Retained earnings at beginning of the year	\$ 12,535,620	\$ 10,645,174
Net earnings for the year	4,813,386	3,768,057
	<u>17,349,006</u>	<u>14,413,231</u>
Deductions:		
Dividends paid:		
Class B shares (including taxes)	396,323	77,592
Class C shares	414,163	447,732
Payments due on purchase of subsidiaries – Note 2	314,714	1,352,287
	<u>1,125,200</u>	<u>1,877,611</u>
RETAINED EARNINGS AT END OF THE YEAR	<u>\$ 16,223,806</u>	<u>\$ 12,535,620</u>

## Statement of Source and Application of Consolidated Funds

	YEAR ENDED DECEMBER 31	
	1973	1972
<b>SOURCE OF FUNDS</b>		
Net earnings for the year	\$ 4,813,386	\$ 3,768,057
Provision for depreciation	2,437,497	2,005,694
Increase (decrease) in deferred income taxes	833,364	(321,530)
Sale of property, plant and equipment	747,647	712,476
Increase in issued share capital	252,275	120,753
Increase in long term debt – net	2,800,000	
Decrease (increase) in working capital including reclassification in 1973 of marketable securities ( \$600,065)	843,750	(834,449)
	<u>\$ 12,727,919</u>	<u>\$ 5,451,001</u>
<b>APPLICATION OF FUNDS</b>		
Cash dividends	\$ 810,486	\$ 525,324
Purchase of property, plant and equipment	5,213,628	3,514,143
Investment in associate company	5,714,944	
Increase in mortgage receivable	577,677	
Increase in excess purchase price	96,470	
Decrease in mortgages payable		59,247
Payments due on purchase of subsidiaries – Note 2	314,714	1,352,287
	<u>\$ 12,727,919</u>	<u>\$ 5,451,001</u>

1972 accounts have been reclassified to conform to 1973



---

## Notes to Consolidated Financial Statement

### Note 1 Principles of Consolidation

(a) The following wholly owned subsidiary companies, being all the subsidiaries of the company, have been consolidated:

C. A. Pitts General Contractor Limited  
Pitts Quebec Limited  
C. A. Pitts Construction Eastern Limited  
Drake Construction Co. Ltd.  
Harco Construction Limited  
Cliffside Pipelayers Limited  
Princliffe Realty Limited  
McDace Limited  
Huron Pipelines Limited  
Underwater Tel-Eye Ltd.  
Underwater Tel-Eye (Canada) Ltd.

(b) The earnings of the investment of 700,001 Common shares of Standard Industries Limited, an associate company, have been consolidated in the earnings of the company on an equity basis. This investment represents approximately 23% of the outstanding shares of Standard Industries Limited and is comprised of:

225,000	shares reclassified from marketable securities	\$ 600,065
475,001	shares acquired in 1973	4,819,834
		5,419,899
	earnings net of dividends from dates of acquisition	295,045
<u>700,001</u>	<u>shares investment</u>	<u>\$5,714,944</u>

### Note 2 Acquisitions

The company purchased all the outstanding shares of McDace Limited as of January 1, 1973 for \$500,000 cash plus contingent payments based on 1973 and 1974 operations. The payment for 1973 is \$269,883 payable April 15, 1974.

The company purchased all the outstanding shares of Underwater Tel-Eye Ltd. and Underwater Tel-Eye (Canada) Ltd. as of January 1, 1973 and April 1, 1973 for \$250,000 cash plus contingent payments based on operations in the years 1973 through 1977. The payment for 1973 is \$44,831 payable April 15, 1974.

### Note 3 Investment in Joint Ventures

This is the amount of capital advances net of drawings adjusted by the companies' share of project earnings or losses to date.

### Note 4 Property, Plant and Equipment

	December 31	
	1973	1972
Land	\$ 520,734	\$ 752,257
Buildings	1,120,245	889,813
Marine and Construction Equipment	20,358,037	15,904,913
	<u>\$21,999,016</u>	<u>\$17,546,983</u>

Amounts stated for equipment do not include the companies' share of equipment owned by Joint Ventures.

### Note 5 Basis of Accounting for Income

Income from contracts is recorded on the basis of percentage complete. Under this method the percentage of the estimated final income is calculated in relation to the progress of the project. All losses are recorded when known and claims are included as income only when received.

### Note 6 Income Taxes

Corporation taxes have been provided on the income shown in the financial statement. Taxable income is determined on a different basis and therefore gives rise to both deferred income tax and prepaid income tax. Generally income taxes deferred relating to contracts represent timing differences between statement income and taxable income, whereas deferred income tax is a result of increased capital cost allowance claimed for tax purposes.

### Note 7 Term Bank Loan

In September, 1973 the company arranged a \$3,500,000 5 year term loan with interest at 1% above the Canadian prime bank rate to assist in the purchase of Standard Industries Limited shares. The loan is payable in equal annual installments commencing in September, 1974.

---



## C. A. Pitts Engineering Construction Limited

and subsidiaries

### Note 8 Share Capital

	December 31	
	1973	1972
Class A – \$50 Par Value Redeemable Preference		
Authorized	300,000	300,000
Outstanding		
Class B – No Par Value Convertible share for share into Class C		
Authorized	2,009,325	1,950,635
Outstanding	2,009,225	1,950,535
Class C – No Par Value Convertible share for share into Class B		
Authorized	6,990,775	7,049,465
Outstanding	2,081,775	2,073,765
Common – No Par Value		
Authorized	100	100
Outstanding		

The Class B and Class C shares rank equally in all respects except that Class B shares bear dividends on a tax-paid basis and Class C shares bear dividends in the normal manner.

### Note 9 Employee Stock Options on Class C shares

	December 31	
	1973	1972
Options outstanding	122,100	138,600
Options granted	10,500	24,000
	<u>132,600</u>	<u>162,600</u>
Options cancelled	5,500	7,800
Options exercised	66,700	32,700
Options outstanding	<u>60,400</u>	<u>122,100</u>
The proceeds of options exercised increased share capital by	<u>\$252,275</u>	<u>\$120,753</u>

### Note 10 Remuneration of Directors and Senior Officers

	December 31	
	1973	1972
Total remuneration of directors and senior officers	<u>\$362,148</u>	<u>\$293,560</u>

## Auditors' Report

### To the Shareholders

#### C. A. Pitts Engineering Construction Limited

We have examined the consolidated balance sheet of C. A. Pitts Engineering Construction Limited as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of C. A. Pitts Engineering Construction Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of McDace Limited and its subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
February 8, 1974.

*Ernst & Ernst.*  
Chartered Accountants





*Bridge construction for the Ontario Ministry of Transportation and Communications at Casselman, Ontario.*



*Lock No. 5, wall rehabilitation for the St. Lawrence Seaway Authority at Thorold, Ontario.*

*Grade separation over the CPR railway yards, City of Sudbury.*







**Arnprior Hydro Electric Generating Station –  
Madawaska River**

*The first phase awarded in early 1973, was completed prior to year-end. In early 1974 a start was made on the \$9.5 million second phase of the development.*

*May 1, 1973*

*Major rock excavation for the foundations of the diversion sluiceway.*

*December 1, 1973*

*Concrete sluiceway nearing completion.*







*Pitts head office – Toronto, Ontario*





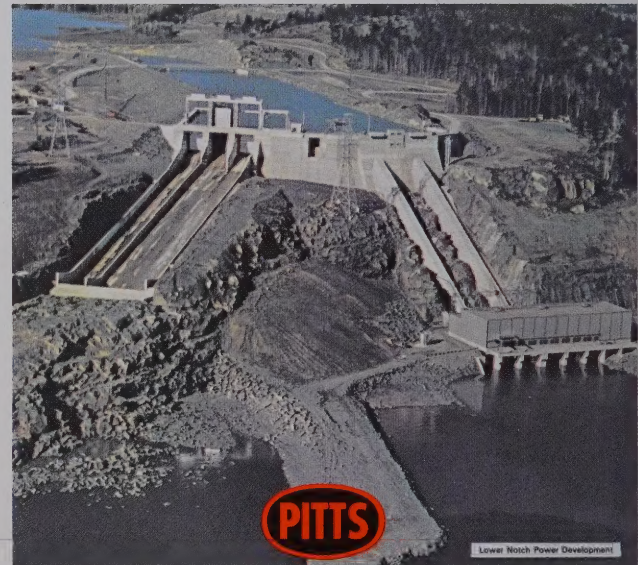
1968



1969



1970



1971



1972

## Annual Report Covers